

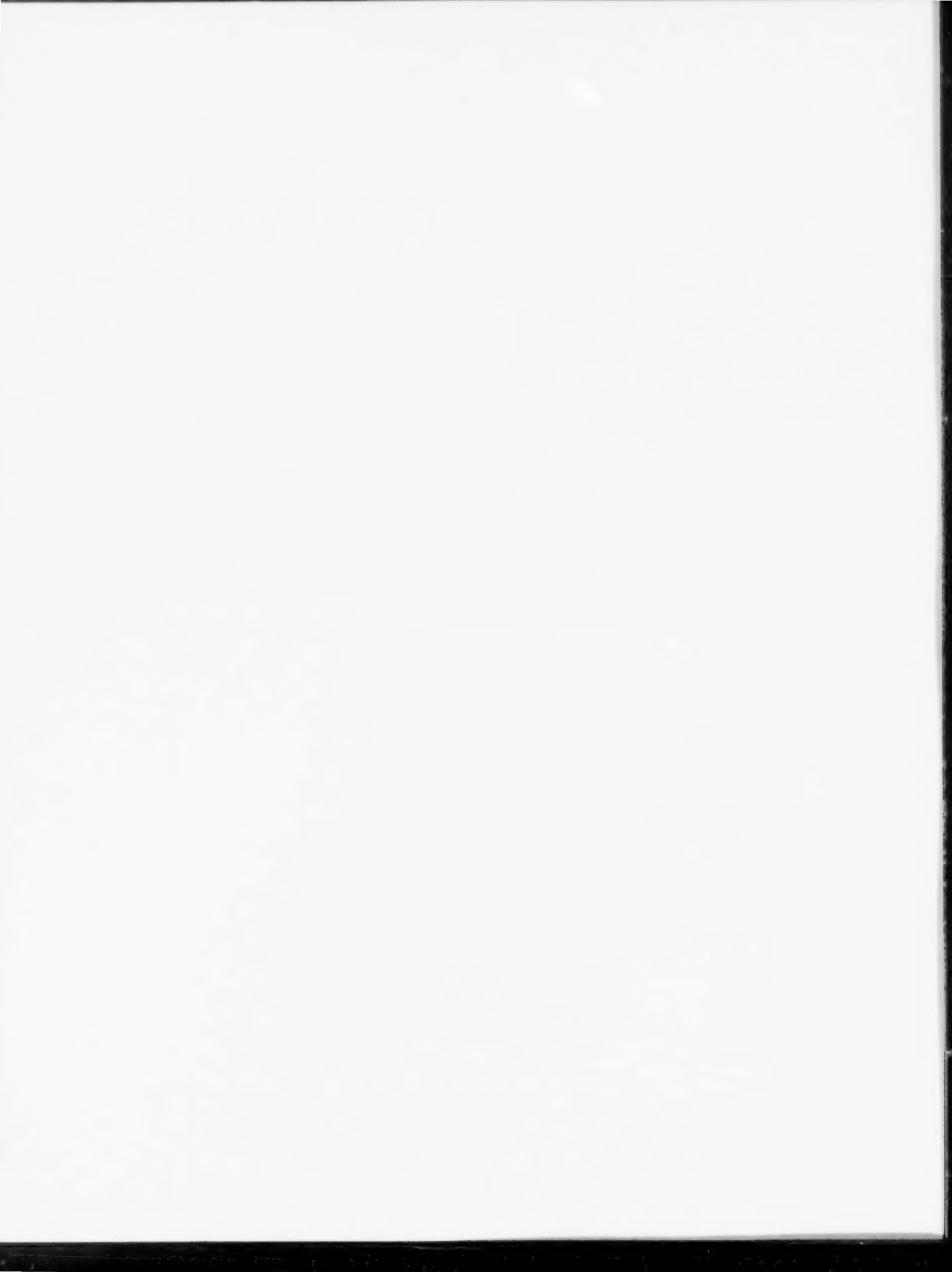
NOVA SCOTIA
HOUSING DEVELOPMENT CORPORATION

ANNUAL ACCOUNTABILITY REPORT
FOR THE FISCAL YEAR 2004-2005



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1.0 ACCOUNTABILITY STATEMENT

The accountability report of the Nova Scotia Housing Development Corporation for the year ended March 31, 2005, is prepared pursuant to the *Finance Act* and government policies and guidelines. These authorities require the reporting of outcomes against the corporation's business plan information for the fiscal year 2004-2005. The reporting of the Housing Development outcomes necessarily includes estimates, and judgements and opinions by the corporation's management.

We acknowledge that this accountability report is the responsibility of the corporation's management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the corporation's business plan for the year.

Marian F. Tyson, Q.C.
President, Nova Scotia Housing Development Corporation
Deputy Minister, Department of Community Services

David M. Morse
Chair, Nova Scotia Housing Development Corporation
Minister, Department of Community Services

2.0 MESSAGE FROM THE MINISTER

I am pleased to present this accountability report of the Nova Scotia Housing Development Corporation as follow up to our 2004-2005 Business Plan. This report provides an overview of our housing priorities and the accomplishments of our team.

The corporation, through the department, continues to support the delivery of housing programs and services to foster healthy communities through housing. Key housing initiatives include the management of more than 12,000 social housing units, the creation and renovation of affordable housing under the federal/provincial Affordable Housing Program and the administration of third party agreements for cooperative and other non-profit housing units.

With such a wide range of programs and supports, we continue to build on our mission to partner with Nova Scotians in fostering healthy communities through housing. Thanks to our partnerships with all levels of government and the community, we were able to provide Nova Scotian families with access to safe, appropriate, affordable and sustainable housing.

I hope as you read this report you will find the information helpful in understanding our progress in providing affordable housing options for Nova Scotians.

Sincerely,

David Morse
Chair, Nova Scotia Housing Development Corporation
Minister, Department of Community Services

3.0 INTRODUCTION

The Nova Scotia Housing Development Corporation, created in 1986, provides financing for government's social housing programs. It is responsible for holding the province's social housing assets and consolidating the revenues and expenditures associated with operating these assets. The corporation's mission is to *partner with Nova Scotians in fostering healthy communities through housing.*

The core business areas of the corporation are as follows:

- Managing the financial contributions of the provincial and federal governments to social and affordable housing
- Managing the social housing portfolio
- Providing mortgage guarantees and/or financing to qualifying housing projects
- Managing the corporation's assets to protect the province from loss

The corporation is governed by the *Nova Scotia Housing Development Corporation Act*. The Minister of Community Services is the corporation's Chair and the Deputy Minister of Community Services is the President. Staff of the Department of Community Services carry out all the activities of the corporation but are not direct employees and receive no remuneration from the corporation.

This Annual Accountability Report is a report on the progress achieved by the corporation towards the goals, priorities, performance measures and financial targets established in the 2004-2005 Business Plan, is available at <http://www.gov.ns.ca/coms/publications.html>.

The 2004-2005 priorities and performance measures flow from the corporation's three strategic goals:

- To foster healthy communities through housing
- To ensure a supply of safe, appropriate, affordable, and sustainable housing
- To optimize access to safe, appropriate, affordable, and sustainable housing

The information that follows outlines the corporation's progress and accomplishments against the priorities identified in our 2004-2005 Business Plan. The report then provides a summary of financial results for the fiscal year, as well as details regarding performance measures and the results achieved.

4.0 PRIORITIES AND ACCOMPLISHMENTS

The following is a summary of the progress and accomplishments of the Nova Scotia Housing Development Corporation in meeting its 2004-2005 Business Plan priorities.

PRIORITY:

Implement the Risk Management Strategy developed in 2003-04.

ACCOMPLISHMENT:

Based on a recommendation from the Provincial Auditor General in 2002-2003, staff of the department, on behalf of the corporation, developed instruments to better identify, quantify and manage the risk component of the social housing portfolio and, in particular, for the third party projects such as cooperatives and non-profit housing. These tools include better reporting requirements, focusing on timely financial statement reviews and analysis of the housing portfolio, and more frequent physical inspections. These tools have been developed, refined, and information gathering and analysis substantially completed. While there are risks, they are manageable and sufficiently accounted for in reserves.

The department has also renewed its financial and partnering support to the Cooperative Housing Federation of Canada (CHFC) in building a training and education component in Nova Scotia aimed at improving the democratic functioning of cooperatives. Co-operative education and training improves their management's ability to make effective financial and operational decisions thereby reducing the risk to the corporation.

PRIORITY:

Initiate an evaluation project of the programs under the 1997 Canada Nova Scotia Social Housing Agreement based on the evaluation framework project to be completed early in 2004-2005 fiscal year.

ACCOMPLISHMENT:

An Evaluation Framework for the Canada Nova Scotia Social Housing Agreement was completed in 2004-2005. The framework identifies a number of options and approaches with respect to undertaking evaluation projects. Implementing the evaluation framework will generate information on the performance, results and cost-effectiveness of these programs. The corporation will be undertaking the first evaluation project under the Canada Nova Scotia Social Housing Agreement in 2005-2006.

PRIORITY:

To continue to implement the Affordable Housing Program. The Affordable Housing Agreement involves federal funding of \$18.63 million along with matching contributions from the province and our housing partners.¹

ACCOMPLISHMENT:

During 2004-2005, the following affordable new rental housing projects were approved:

- Sydney Mines (20 units for seniors and non-elderly singles)
- Halifax (66 rental units for seniors)
- Truro (24 rental units for singles, families and seniors)
- Westville (4 rental units for persons with disabilities)
- New Minas (24 rental units for seniors)
- Debert (24 rental units for singles, families and seniors)
- Chester (16 units for seniors)

In addition, 72 low income households received assistance under the Home Preservation Program in 2004-2005.

A request for proposals for an additional 250 new rental housing projects was released in December 2004. Forty-six proposals were received in response to the request.

On March 3, 2005, a new agreement was signed with the Government of Canada for phase two of the Affordable Housing Agreement, worth \$18.9 million. This brings the total investment under the Canada-Nova Scotia Affordable Housing Program Agreement to \$56.18 million in funding by 2008. This investment is being equally shared by the Government of Canada and the Province of Nova Scotia and its housing partners.

PRIORITY:

Complete the integration of Housing Services including the building technology section into the department's program division.

ACCOMPLISHMENT:

Integration of Housing Services as part of the Employment Support, Income Assistance & Housing Services Division was completed. In addition, consolidation of some regional offices was completed. These changes in the organization structure of the department will enable the corporation to better support other department programs that have a housing component by facilitating access to building support services and expertise.

¹Also see section 6.4, a performance measure for the Canada Nova Scotia Affordable Housing Agreement Programs.

5.0 FINANCIAL RESULTS

Nova Scotia Housing Development Corporation Estimated & Actual Expenditures For the Year Ending March 31, 2005				
Funding Source	Actual 2004-2005	Estimate 2004-2005	Variance	Notes
Revenue from Government Sources	92,718,394	69,066,000	23,652,394	1
Revenue from Rents	50,385,637	49,524,000	861,637	2
Interest, revenue from land sales and other revenue	7,684,004	6,200,000	1,484,004	3
Total Funding	150,788,035	124,790,000	25,998,035	
Expenditure Source				
Interest on Long Term Debt	28,969,561	27,200,000	1,769,561	4
Property Management and Operations	41,641,471	41,800,000	(158,529)	
Maintenance and Capital Improvements	24,561,198	19,183,000	5,378,198	5
Transfer to Housing Services*	24,905,797	19,500,000	5,405,797	6
Home Renovation and Affordable Housing	11,350,241	See Note 7	11,350,241	7
Amortization of Investment in Social Housing	11,807,275	10,800,000	1,007,275	8
Administration Fee and Cost of Land Sold	7,552,492	6,307,000	1,245,492	9
Total Expenditures	150,788,035	124,790,000	25,998,035	

*Under the terms of Canada Nova Scotia Social Housing Agreement, Canada Mortgage and Housing Corporation transfers Federal subsidies to the corporation monthly. A portion of this funding is then transferred to the Department of Community Services, Housing Services division for the payment of Social Housing Program subsidies.

Revenue Variances:

1. Addition of Affordable Housing Program and Housing Renovation Program plus Strategic Initiative of December 2004.
2. Greater than expected occupancy level.
3. Timing of lot sales. White Juan snow storm deferred sales from 2003-2004 to 2004-2005.

Expenditure Variances:

4. Direct lending activity higher than estimate.
5. Additional funding provided in reference to Strategic Initiative \$6.7 M.
6. Funding provided to the department within the Social Housing Agreement under the following programs: Senior Citizens Assistance Program and Provincial / Federal Home Emergency Repair Program; Public Housing; Interest Write-Down; Supply Assistance; Rural and Native Programs.
7. The expenditures for the Affordable Housing Program and Housing Renovation Program were added this year from the Department of Community Services. The Estimate is in the department.
8. Principal payouts not anticipated (Dept. of Justice in reference to Waterville Youth Centre).
9. Larger number of lots sold due to timing of sales (see revenue above).

6.0 PERFORMANCE MEASURES

This section provides detailed information on the outcomes and performance measures for each of the corporation's core business areas.

6.1 CORE BUSINESS AREA: MANAGE THE SOCIAL HOUSING PORTFOLIO

OUTCOME: Financially viable social housing program.

PERFORMANCE MEASURE: A projection of the financial resources available to meet anticipated Canada Nova Scotia Social Housing Agreement expenditures.

Under the Agreement, the annual federal funding for the Federal/Provincial Social Housing Program was capped at 1995 levels and follows a pre-defined declining schedule with all the federal contributions ending in 2035. The corporation must manage federal funding so that there will be sufficient funds available in future years to support social housing programs, at the same time, meeting the objectives of providing safe, affordable, appropriate and sustainable housing to Nova Scotians.

WHAT DOES THE MEASURE TELL US?

This measure estimates the corporation's ability to meet its program obligations under the Canada Nova Scotia Housing Agreement, assuming no modifications to the existing Agreement which ends in 2035.

Community Services, on behalf of the corporation, monitors activity on a monthly basis to ensure that the existing programs operate within the funding available. The key items monitored and taken into consideration are: interest rates, cost of living, the revenues and expenditures of the Housing Authorities, and the balance in the Deferred Federal Contributions Account.

WHERE ARE WE NOW?

In 2003-2004, the corporation's expenditures increased, while maintaining a positive balance in reserves necessary to protect the corporation's financial position.

In 2004-2005, existing programs operated within the funding available. The corporation again maintained a positive balance in reserves. Funding made available through the Strategic Funding Initiative enabled the completion of a number of previously deferred maintenance projects including the installation of three elevators in senior buildings.

WHERE DO WE WANT TO BE IN THE FUTURE?

The department, on behalf of the corporation, aims to ensure existing programs operate within the annual funding available. This goal is becoming more difficult to manage, as federal subsidies decline, operating costs such as home heating fuel and utilities increase, and opportunities to increase rents are limited.

In 2005-06, the corporation will be evaluating the federal social housing programs encompassed under the Canada/Nova Scotia Social Housing Agreement and working on the development of a long-term housing approach for government. These projects will provide information to better position the corporation to maximize its resources and the department to address the long-term housing needs of Nova Scotians.

6.2 CORE BUSINESS AREA: PROVIDE MORTGAGE GUARANTEES AND/OR FINANCING TO QUALIFYING HOUSING PROJECTS²

OUTCOME: Government has additional options in managing capital financing for government sponsored housing.

PERFORMANCE MEASURE: The number of qualifying housing projects receiving mortgage guarantees and/or financing assistance.

The corporation provides financing assistance to qualified agencies to purchase, lease or upgrade housing/shelter related facilities. This involves giving the agencies preferred interest rates for longer term periods than would be provided by private lenders. Agencies are protected from fluctuations in their on-going operating costs which is particularly important to Community Services and the Department of Health, since they establish per diem rates and provide funding to these agencies on behalf of publically subsidized clients.

WHAT DOES THE MEASURE TELL US?

This measure indicates the number of qualifying projects the corporation assisted through mortgage guarantees and/or financing assistance. Qualifying projects generally must meet at least one of the following criteria:

- increase the supply of safe, affordable, appropriate and sustainable housing in Nova Scotia
- reduce the long term interest rate risk to the Province of Nova Scotia
- have an acceptable level of risk to the corporation

²At this time, the corporation no longer provides loan guarantees.

- reduce the long term financing costs to the Province of Nova Scotia.

WHERE ARE WE NOW?

The target set for 2004-2005 was to support a minimum of three new housing projects per year. The target has been achieved in each of the past three years. Reaching this target involved fostering and pursuing partnering opportunities with other departments and agencies.

In 2004-2005, the corporation provided approximately \$2.8 M in financial assistance to six projects. This included, for example, assistance for renovations to an existing nursing home, two housing units for persons with long term disabilities, and one leased property for the Community Supports for Adults Program.

The Number of Qualifying Projects the Corporation Assisted Through Mortgage Guarantees and/or Financing Assistance			
2001-2002	2002-2003	2003-2004	2004-2005
1	6	9	6

WHERE DO WE WANT TO BE IN THE FUTURE?

The corporation aims to assist a minimum of three housing projects per year by continuing to foster and pursue partnering opportunities with other departments and government agencies.

6.3 CORE BUSINESS AREA: MANAGE THE CORPORATION'S ASSETS TO PROTECT THE PROVINCE FROM LOSS

OUTCOME: Financial reserve funds are adequate, risk of loss to the province is minimized.

PERFORMANCE MEASURE: The percentage of cooperative and non-profit housing organizations that have adequately funded reserves.

Non-profit and co-operative housing organizations provide approximately 3,100 self-contained dwelling units. It is necessary to monitor the financial stability of these organizations to ensure that they have adequately funded reserves.

WHAT DOES THE MEASURE TELL US?

This measure indicates how many co-operative and non-profit housing organizations are in a balanced financial position and have sufficient revenue to meet all expenditures. The annual record of cash assets versus liabilities is used to determine the adequacy funded reserves.

WHERE ARE WE NOW?

Under the terms of the Social Housing Agreement, Nova Scotia administers the 3rd party agreements that the cooperative and non-profit housing organizations signed with Canada Mortgage and Housing Corporation when the organization received funding. The annual subsidies associated with this housing is \$8.3 million. As in the past two years, 71% of the cooperative and non-profit housing organizations with which the corporation has involvement, had adequately funded reserves. Though short of the target of 75%, the financial stability of these organizations has improved significantly since 2000-2001. Factors impacting performance were the rising cost of home heating fuel, costs of repairs and maintenance, as well as other price increases.

Percentage of Cooperative and Non-Profit Housing Organizations that have Adequately Funded Reserves				
2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
62.5%	68%	71%	71%	71%

In 2004-2005, partnerships were strengthened with the co-operative sector to improve training and education, and to develop a co-operative network to build capacity and to increase opportunities for information exchange. The corporation also worked with individual co-operatives and non-profit housing projects to assist and train management. In addition, Community Services' staff, on behalf of the corporation, has developed better reporting requirements and a ranking system for evaluating the financial strength of housing projects and are undertaking more physical inspections of the housing projects.

WHERE DO WE WANT TO BE IN THE FUTURE?

Based on the performance of this measure over the past five years, the target set out in the corporation's 2005-06 Business Plan is to maintain the percentage at or above 71%. To achieve this target, the corporation will continue to work with others to provide training, to develop a cooperative network to build capacity, increase opportunities for information exchange, and work with individual organizations to assist and train management.

6.4 CORE BUSINESS AREA: DELIVER THE CANADA NOVA SCOTIA AFFORDABLE HOUSING AGREEMENT PROGRAMS

OUTCOME: More households in safe, appropriate, affordable and sustainable housing.

PERFORMANCE MEASURE: Affordable Housing Agreement funds committed to date on creating and renovating housing units.

The Agreement represents an important step in support of Nova Scotians in need of affordable housing and is an important piece of the province's housing strategy.

WHAT DOES THE MEASURE TELL US?

This measure indicates how much of the \$37.26 million³ available under the Canada Nova Scotia Affordable Housing Agreement has been committed to creating or renovating housing units in Nova Scotia.

WHERE ARE WE NOW?

Phase 1 - Affordable Housing Initiative Housing Commitments as of March 31, 2005			
Housing Projects	Dwelling Units		
	Home Preservation	New Rental	Home Owner
Middleton		15	
Creighton Gerrish, Halifax			6
Home Reservation 2003-4004	26		
Shorcham Seniors Village, Chester		16	
Benmar Holding Limited, Westville		4	
Wallace MacLean Holding Co., Deber		24	
Asset Management Phase 1, New Minas		24	
New Deal Development, Sydney Mines		20	
Pinto Properties, Truro		24	
Northwoodcare Incorp., Halifax		66	
Asset Management Phase 2, New Minas		24	
Affirmative Industries, Dartmouth		10	
St. Andrew's Seniors, St. Andrew's		8	
Home Preservation 2004-2005	72		
Committed Home Preservation 2005-06	96		
Total	194	235	6

As of March 31, 2005, approximately \$19 million of the available \$37.26 million Phase 1 Affordable Housing Initiative had been committed by the federal government, the province and our housing partners. This involves 435 affordable dwelling homes and includes 2004-05 commitments for 178 new rental units and the rehabilitation of 72 homes under the Affordable Housing - Home Preservation Program.⁴ The table above indicates the housing commitments to

³This represents the funding available under Affordable Housing Agreement Phase 1.

⁴Section 4.0, Priorities and Accomplishments, provides further information on the progress made under the Affordable Housing Program.

the end of the 2004-05 fiscal year.

WHERE DO WE WANT TO BE IN THE FUTURE?

The remainder of Phase 1 funding, \$18 million, will be fully committed by the end of fiscal year 2005-2006. At the end of October 2005, \$11 million of the \$18 million remaining in funding was committed.

A request for proposals for new affordable housing was issued in December 2004 and generated a total of 46 submissions which was more than twice the number generated by the first request for proposals in March 2004. Over 900 units were proposed in response to a need to deliver approximately 250 units. Staff are reviewing the submissions and working with the proponents. It is anticipated that a number of new rental housing projects will be announced in the fall of 2005. These new projects will represent a major commitment in funds and achieve the program targets.

In March 2004, the department signed a supplementary agreement with the Government of Canada for Phase 2 of the Affordable Housing Agreement, worth \$18.9 million⁵. This brings the total investment under the Canada-Nova Scotia Affordable Housing Program Agreement to \$56.18 million in funding by 2008. This investment is being equally shared by the Government of Canada and the Province of Nova Scotia and its housing partners.

⁵In future reporting documents, Phase 2 funding will be incorporated into this measure.

